

Applicants who have been approved to participate in the Direct Payment Program will be issued a Direct Pay Permit by the Department, which participants may provide to retailers in order to remit their tax liability directly to the Department. See 86 Ill. Adm. Code 130.2500. (This is a GIL).

April 25, 2002

Dear Xxxxx:

This letter is in response to your letter received March 14, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be found on the Department's website at www.revenue.state.il.us/Laws/regs/part1200/.

In your letter, you have stated and made inquiry as follows:

This letter is a request for a formal letter ruling. Is a letter from the customer acceptable in lieu of a copy of a direct pay permit? If it is, then what information needs to be included in the letter?

Also, is a Uniform Sales and Use Tax Certificate- Multijurisdictional acceptable in lieu of a copy of a direct pay permit? If so, does it matter that the address listed on the certificate is the corporate headquarters located in another state? Does it matter that the exact location is not listed on the form?

Thank you in advance for your assistance. Should you have any questions I can be reached at the above address.

The Department has recently adopted regulations governing the Direct Payment Program, 86 Ill. Adm. Code 130.2500 et seq. Section 130.2500 of these regulations describes the Direct Payment Program. The program is effective July 1, 2001. Applicants who have been approved to participate in the Direct Payment Program will be issued a Direct Pay Permit ("permit") by the Department, which participants may provide to retailers. Use of the permit relieves the permit holder from paying Use Tax (including any local occupation tax reimbursements of taxes administered by the Department) to the retailer at the time of purchase of qualifying tangible personal property. By using the permit, the permit holder voluntarily agrees to assume the liabilities of the retailer to report and remit Retailers' Occupation Tax (including any local occupation taxes administered by the Department) directly to the Department.

Retailers who are provided with a Permit from a permit holder purchasing qualifying tangible personal property are relieved of their obligation to remit the Retailers' Occupation Tax (including any local occupation taxes administered by the Department) incurred on the sale of that qualifying tangible personal property. Retailers who are presented with such permits are also relieved of the obligation to collect Use Tax (including any local occupation tax reimbursements of taxes

administered by the Department) from the permit holder. Retailers who make sales to permit holders who present their permits must report those sales on their sales and use tax return (Form ST-1). The retailer must show these transactions as exempt sales on Line 16 ("Other") of his Form ST-1 Worksheet for Line 2. The exemption must be identified as "direct pay."

In order to be relieved of his obligation to pay tax at the time of purchase of qualifying tangible personal property, the permit holder must provide the retailer with a copy of the permit, unless the retailer already has a copy of that permit on file. Retailers who are presented with copies of direct pay permits must maintain those copies in their books and records.

If you are making sales for resale, you should request a copy of a Certificate of Resale. Illinois law requires a Certificate of Resale to contain the information set out in 86 Ill. Adm. Code 130.1405(b), enclosed. A Certificate of Resale is a statement signed by the purchaser that the property purchased by him is purchased for purposes of resale. Provided that this statement is correct, the Department will accept Certificates of Resale as prima facie proof that sales covered thereby were made for resale. In addition to the statement, a Certificate of Resale must contain:

- 1) The seller's name and address;
- 2) the purchaser's name and address;
- 3) a description of the items being purchased for resale;
- 4) purchaser's signature, or the signature of an authorized employee or agent of the purchaser, and date of signing;
- 5) Registration Number, Resale Number, or Certification of Resale to Out-of-State Purchaser
 - A) purchaser's registration number with the Illinois Department of Revenue; or
 - B) purchaser's resale number issued by the Department of Revenue; or
 - C) a statement that the purchaser is an out-of-State purchaser who will sell only to purchasers located outside the State of Illinois.

Illinois does accept the MTC Uniform Sales and Use Tax Certificate – Multijurisdictional as a Certificate of Resale if it contains all of the information required in the regulation set forth above.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

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